

2002 State of the State
Michigan: A State of Reform, Renewal, and Transformation

By John Engler
Governor of the
State of Michigan

I. INTRODUCTION

Thank you, Bishop Mengeling, for your invocation.

Lieutenant Governor Posthumus, Speaker Johnson, Majority Leader DeGrow, members of the House and Senate, Chief Justice Corrigan, justices and judges, colleagues in government, fellow citizens:

In accordance with the Constitution, I come before you once again to report on the state of our state.

Tonight I would like to talk with you about Michigan's challenges and opportunities.

The two are always related.

Churchill put it well:

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

Ladies and gentlemen, I am an optimist.

Michigan has always met its challenges – our state has always been a leader – when confronting crises at home or abroad.

Our soldiers fought to preserve the Union in the Civil War.

Our citizens manned the stations of the Underground Railroad on behalf of freedom.

A great generation of automobile pioneers put America on wheels.

And Michigan workers in World War II made our state the Arsenal of Democracy.

We remember and honor their achievements.

They inspire us in the face of our own challenges.

Challenges that our generation did not choose, but that we accept and will overcome.

For many of our citizens, the challenges we face make for uneasy times. There is understandable concern over:

- job and economic security;
- homeland defense;

- energy supply;
- health care;
- technological change; and
- the quality of our schools.

How prepared is Michigan to confront these challenges? What is the state of our state?

Ladies and gentlemen: Our state is strong – it is rock solid.

After a decade of reform and renewal, Michigan is prepared to confront the challenges of the 21st century.

More than that: Michigan is poised for transformation.

This evening I'd like to talk with you about how we can lead, and achieve, that transformation.

II. NATIONAL-STATE CHALLENGES

Homeland Defense

I think we'd all agree, the tragedy of September 11th has been a transforming event.

Our nation is experiencing a remarkable and welcome renewal of the American spirit.

On behalf of the people of Michigan, I'd like to thank our Commander in Chief, President George W. Bush, and all our men and women in uniform, serving in Afghanistan and around the world.

Thank you for a job well done.

In Michigan some special citizen-soldiers are keeping us safe at our border, in our airports, and on duty overseas.

With us this evening are Staff Sergeant Tyrone Redding, posted at the Ambassador Bridge in Detroit, and Specialist Robert Streeter, posted at Capitol City Airport.

They make us proud – they are the Michigan National Guard.

Earlier today, I requested that the Michigan Civil Service Commission take action to continue medical benefits for state employees who have been called to active duty.

I've also asked that any pay differential be covered, retroactive to September 11th.

Keeping us safe has special meaning for three legislators.

Senator Gary Peters has already been called up by the U.S. Naval Reserve – we wish him Godspeed.

In addition, Senator Valde Garcia and Representative Andrew Raczkowski stand ready to serve.

May our prayers be with them and with all who are prepared to stand in harm's way for us and for our freedom.

Meanwhile, keeping our citizens out of harm's way is the goal of homeland defense in Lansing and in Washington.

Back in 1996, Michigan established an anti-terrorism task force so we would be prepared for terrorist threats.

For their years of diligent work, I applaud the task force and their leader, Col. Michael Robinson, head of the Michigan State Police.

By executive directive, I will redesignate the task force as the Michigan Homeland Security Task Force, so that Washington knows that Michigan is well coordinated and prepared.

Col. Robinson will continue to head this Task Force and serve as Michigan's lead official dealing with terrorism.

The Michigan Legislature has also responded to the threat of terrorism.

I congratulate you on your bipartisan efforts to date.

Now, let's act promptly to complete the remaining measures in the anti-terrorism package.

Our colleagues in local government are also doing their part in the war against terrorism.

To all of them, we say, "Thank you!"

And if your county, township, or city has not already done so, we need you to act immediately and join our state's mutual aid compact.

Let's assure our citizens that all our resources are marshaled to meet any future threat.

Michigan, with its international border crossings, faces special challenges.

Clearly, international borders are a national responsibility.

These borders require the coordination of state *and* national resources, as well as international cooperation.

This evening I applaud the efforts of our congressional delegation to make Michigan's border crossings a priority in Washington.

At the same time, I hardly need to remind the delegation that we still seek permanent solutions to our border problems.

Each year more than 28 million vehicles travel between Michigan and Canada, more than double the volume just four years ago.

More cars, more trucks, more people, and more goods have meant more jobs – but not more security at our border.

Michigan border crossings need immigration officials and customs officials, and we need them now.

Technology, Taxes, and Fuel Cells

Just 48 hours ago, the world's premier auto show ended in Detroit. The creativity and technology on display highlighted Michigan's global leadership and demonstrated why our state has been an economic powerhouse for a century.

Manufacturing has been the lifeblood of Michigan's economy and the engine of our prosperity.

Our auto industry and its incredible network of suppliers have supported hundreds of thousands of Michigan families.

Our designers, engineers, and skilled workers are second to none.

In the aftermath of September 11th, in the middle of a national recession, it was our signature industry that stood tall.

While Washington debated, the car companies delivered.

Zero percent financing was, without a doubt, the most important stimulus package American families received.

In an autumn of tragedy and grief, Michigan's companies helped "Keep America Rolling."

Now, in a winter of recession, our challenge is to do all we can to keep Michigan rolling.

First, we must understand what's going on in our most important industry.

One day we are celebrating the opening of the Lansing Grand River plant – the most sophisticated auto assembly plant in the world.

The next, we are reading about restructuring, downsizing, undervalued stock prices, and layoffs.

Many of our Michigan companies are facing challenges that make our budget problems look easy.

It will be work, but if we all go the extra mile, we may be able to help these companies and keep our tax cuts rolling.

At the same time, we need to consider the plight of many workers whose job security depends on these companies.

Let's help all workers by protecting income tax cuts and by raising unemployment benefits.

In addition to the problems I've mentioned, other forces are bearing down on Michigan's major industry.

Two debates directly challenge our state's future.

The first debate concerns energy.
Americans already consume 10 million barrels of foreign oil each day.
And the trend line is not good.
A growing dependency on foreign oil threatens our national security
and our way of life.

The second debate concerns the environment and global climate.
Michigan is grateful that the President and Congress have maintained
the current CAFE standards through 2004.
We thank Michigan's congressional delegation for their leadership on
this vital issue.

We are also fortunate that Congress did not ratify the hopelessly
flawed Kyoto Protocol.
One very obvious flaw was the exemption given to the world's two most
populous nations, China and India.
Kyoto offered too little benefit to the world's environment and
threatened way too much damage to the U.S. economy.
The record is clear: The U.S. and Michigan have achieved impressive
gains in air quality.
Nevertheless, the climate debate continues, posing many difficult
questions to scientists, policy makers, industry, and especially the public.

These two debates – about energy and climate – are inseparably
linked.
You will not resolve one without the other.
Some may be asking, "How will these debates impact Michigan?"
But I ask: "How can Michigan impact these debates?"
We are at the beginning of an historic transformation.
While I see great challenges, I sense even greater opportunities.
Science and industry are successfully developing breakthrough
technologies involving renewable sources of energy.
It is no longer a question of whether, but when, we will leave behind
an economy powered primarily by fossil fuels.

In fact, the transformation has already begun.
Breakthrough technologies today are hastening development of
hydrogen-powered internal combustion engines, clean diesel-powered cars
and trucks, and an exciting array of hybrid vehicles.

One innovative technology is attracting considerable attention and
investment.
We ignore it at our peril.
I am talking about fuel cells.

Fuel cell technology will revolutionize power generation.

This technology will lead to impressive gains in energy efficiency and dramatic reductions in emissions.

As fuel cells go from the space shuttle to powering your family car, they will transform our very way of life.

Ladies and gentlemen: The race is on. The stakes are high.

It is Michigan's great fortune to have many companies that are in the vanguard of this transformation to fuel cells.

Listen to what their leaders are saying.

Ford Chairman and CEO Bill Ford: "I believe fuel cell vehicles will ... end the hundred-year reign of the internal combustion engine as the dominant source of power for personal transportation."

General Motors CEO Rick Wagoner: "The 20th century was the century of the internal combustion engine. The 21st century will be the century of the fuel cell."

Imagine that.

American auto company heads envisioning a future – no doubt astounding to their critics – a future that sees *their* industry solving intractable energy and global climate debates.

A glimpse of the future was on display at the North American International Auto Show.

The public saw fuel cell vehicles that can operate today as well as futuristic concept cars.

GM caused quite a stir by unveiling its AUTOnomy concept vehicle.

GM asked its designers and engineers to design a car from scratch.

It's pretty amazing to see what they created.

A vehicle ... but with no engine, no transmission, no radiator, no pedals.

A vehicle ... but with electronic controls replacing mechanical accelerating, steering, and braking systems.

A vehicle ... in which the driver can choose to sit on the left, or the right, or even in the center, thanks to "X-Drive."

Described as a revolution in how automobiles are designed, built, and used, the AUTOnomy features a fuel cell system powered by hydrogen.

With hydrogen as the energy source, a vehicle is more than twice as efficient as one using fossil fuels and produces almost no pollution.

Rather than harmful emissions, the byproduct is H₂O – water.

While the designs are revolutionary, even more revolutionary might be the uses.

A vehicle powered by a fuel cell could become a power plant.
Imagine the car in your driveway providing the power for your house!
Or farm!
Or business!

With fuel cell technology driving our future, one thing is certain: Our lives are going to change.

We need to prepare.

Make no mistake: Michigan cannot sit back and assume that being home to the auto industry is our birthright.

From the granting of the first patent on the gasoline-powered automobile ... to the pouring of the first mile of concrete highway in the world on Detroit's Woodward Avenue ... to Henry Ford's revolutionary assembly line ... Michigan led the way to a century of progress.

Now, our generation faces a new century with new challenges.

But what an opportunity for our generation.

The sheer magnitude of the coming change makes me wonder what it must have been like a hundred years ago, when people were challenged by the newfangled horseless carriage.

I am sure a lot of people wanted to keep the horse and buggy around.

The buggy makers were frightened and wanted tough new regulations.

The suppliers – the blacksmiths, barn builders, and bridle makers, along with the oats-and-hay lobby – were under pressure to cut prices.

The horse breeders were trying to breed bigger, faster, stronger horses – and cleaner ones, too.

They went to their friends in Congress and Lansing and lobbied them, “Do something!”

They met with their lawyers and ordered them, “Do something!”

They contacted friendly journalists and trade associations and pled, “Do something!”

So what was done?

The horseless carriage was banned – on Mackinac Island. Everywhere else, the horseless carriage transformed a nation and launched a century of progress.

As for the horse-and-buggy crowd, all who failed to adapt to the new economy passed into history, replaced by risk takers who seized the opportunity.

Seriously, if we fail to seize our opportunity, if we fail to adapt, we risk becoming as irrelevant as the horse and buggy.

There must be a Michigan strategy to prepare for the transformation.

First, we work from our strength.

Michigan companies have a strong position today.

Let's make sure that they are free to push the limits of technology, and that they can afford to do so.

Incentives can help, but even more helpful would be removing some of the burdens and barriers that have been imposed by Washington and a few states.

For too long the auto industry has had too many regulations, too much interference, and too little cooperation.

Government cannot and should not mandate the solution.

Government can and should guarantee an environment that fosters innovation, furthers investment, and fits consumer needs.

Thankfully, change is in the air.

Just two weeks ago, Energy Secretary Spencer Abraham joined industry leaders in Detroit to announce a partnership called Freedom CAR (Cooperative Automotive Research).

It was heartening to see members of Michigan's congressional delegation at the announcement.

Congress needs to support this partnership, and Michigan's delegation must provide the leadership to make sure that it does.

Developing the full potential of fuel-cell technology requires money and creativity. And to the extent that fuel cells are powered by hydrogen, there will be an additional federal role of helping assure the necessary infrastructure.

I urge Michigan's delegation to work with President Bush and Secretary Abraham, so we can further strengthen the federal research role and speed the development of hydrogen-fed fuel cells.

America needs to know that Michigan companies are leading the quest to develop the technologies that will provide more energy independence, a cleaner environment, and greater economic security.

For Michigan workers and millions of Americans, that's tantamount to job security.

I said earlier the stakes are high – this issue transcends politics.

We are counting on each member of our congressional delegation to be working aggressively to assure the future of their state's most important industry.

Now, their job won't be that easy.

Washington is a town with two very different mindsets.

You have regulators and you have problem solvers.

President Bush is a problem solver.

His approach stands in sharp contrast to that of the regulators, who represent the "old thinking" from the end of the last century.

Federal regulators, including many in the EPA and some in other agencies, are trapped in the past.

They cling to the old thinking.

They certainly do not trust the ingenuity and skill of Detroit scientists and engineers.

The regulators have a command-and-control mentality and an abiding faith in regulation.

Their approach is the antithesis of the New Economy.

Consider the fossil bed of regulations known as CAFE (Corporate Average Fuel Economy).

Designed to help America achieve energy independence, CAFE's effect has in fact been the opposite.

America is ever more dependent on foreign oil.

American companies have paid billions of dollars to comply with CAFE and been rewarded with lost market share.

Worst of all, American workers have paid for CAFE with their jobs ... and American families are still paying every time they buy a new car.

Now CAFE threatens the ability of our companies to finance innovative technologies – technologies needed for their survival.

At a time when so many promising technologies are within reach, it is clearly in the national interest and in Michigan's interest to pursue them with dispatch.

It is clearly wrong and irrational – and a textbook case of old thinking – to argue that there is a significant benefit in seeking to mandate incremental gains using old technologies, irrespective of cost.

The short sightedness of this thinking is easily understood when we realize that when billions of dollars are being spent to comply with the old regulations, they are being diverted from R & D in the new technologies and the benefits they offer.

If we could convert regulators into problem solvers, we might see some common-sense solutions.

For example, the U.S. should adopt the European clean diesel technology.

If we did so, our nation could virtually overnight achieve a 25 to 30 percent increase in fuel efficiency.

Soon, safe clean-burning diesel engines will power 50 percent of the cars in Europe.

Finally, if American companies have their global leadership compromised, we run the risk of the U.S. car industry's demise.

Not to mention the loss of high-paying jobs that have helped thousands of families achieve the American Dream.

Command and control regulations like the Kyoto Protocol and CAFE are relics of the old thinking.

They are costly burdens that threaten our way of life.

They and the thinking they represent should be consigned to the ash heap of history.

Michigan's stake in the transformation of the auto industry cannot be overstated.

Think about it: The coming transformation means a new generation of vehicles.

The new vehicles will require a new generation of engineers to design them, a new generation of plants to assemble them, and a new generation of workers to build them.

We must take steps now to make sure they are Michigan engineers, Michigan plants, and Michigan workers!

In the next 60 days I will send you a message detailing steps we should take to ensure Michigan's preeminence in the global auto industry.

My agenda will address a number of key issues – taxes, regulations, new infrastructure, intellectual property, research and development.

Let's be bold.

Let's seize the opportunity.

And above all, let's make sure future generations are driving vehicles that say, "Made in Michigan."

Science Leadership – the Rare Isotope Accelerator

I love hearing, "Made in Michigan."

There was a time, not that long ago, when even an optimist would have been discouraged by Michigan's image.

Our competitors derided us as "the Rust Belt."

Not any more!

Michigan is back – winner of four consecutive Governor's Cups for new business startups and expansions.

We have earned a new image.

Thanks to our skilled workforce, exceptional universities, and smart decisions – Michigan is becoming the Technology State.

More than \$2 billion of new buildings on our campuses, Automation Alley, Smart Parks, the Life Sciences Corridor – all reflect the exciting transformation under way.

They also reflect our commitment to fostering the right environment to attract the best science and technology have to offer.

New work opportunities have blossomed across our state, all due to our willingness to embrace technological change.

As a result, we are going to be hearing a lot more about new products made in Michigan.

The world took note when Michigan invested \$1 billion in our Life Sciences Corridor.

That smart decision in the last decade is already paying dividends.

And two decisions – one by a family, one by a company – meant the founding of the Van Andel Institute in Grand Rapids and the constructing of the Pfizer Research complex in Ann Arbor.

These two key decisions affirmed our growing stature as a state of R & D and science.

Also affirmed was the value of partnerships.

The Pfizer story is an impressive one.

The University of Michigan, City of Ann Arbor, and Michigan Economic Development Corp all worked as a team.

By doing that, they secured a spectacular investment that means a nearly \$1 billion world-class research center located adjacent to the University of Michigan.

This will be the largest research facility in the world for Pfizer and home to hundreds of incredible researchers and scientists, all searching for medical breakthroughs.

Ladies and gentlemen, the Pfizer investment last year was the single largest corporate investment decision made in the entire United States.

Michigan met the challenge.

Michigan emerged the winner.

Now, we have another opportunity to build a winning partnership, and take the next step to secure Michigan's future as a high technology state – a state of science.

This time the opportunity is near by, less than five miles from this Capitol.

Michigan State University is the home of the world's premier Superconducting Cyclotron Lab.

Here, one of the world's finest faculties is exploring the frontiers of nuclear physics.

For years the highest priority of nuclear scientists has been a new facility dedicated to the study of short-lived rare isotopes.

The goal is to achieve breakthroughs in nuclear physics, biomedicine, materials research, even national security.

So what does all this have to do with Michigan?

The U.S. Department of Energy and National Science Foundation are preparing to invest \$1 billion – \$1 billion to develop the Rare Isotope Accelerator (RIA).

The RIA will be the world's leading facility for research in nuclear structure and nuclear astrophysics.

The annual operating budget would be nearly \$100 million, and the RIA would be operated by a team of some 400 technicians and scientists.

The right location for the RIA is on the campus of MSU.

MSU faculty have been in the vanguard of the RIA concept.

MSU accelerator physicists are making elemental contributions to the RIA design.

The RIA laboratory, located on Michigan State's campus, would profoundly change the university and cement its reputation as the world leader in high-energy physics.

In fact, this could be the most important decision in the history of the university.

As Einstein observed, "Politics is for the moment, but an equation is for eternity."

Such a facility, located in the center of our Life Sciences Corridor, would lead to a research explosion in our Great Lakes State.

Michigan's case is strong.

MSU's faculty is prepared.

And the only physicist serving in Congress – Congressman Vern Ehlers from Michigan – is on our side.

Let's show America that Michigan is serious about being home to the RIA.

Let's make the down payment in next year's budget.

Let's seize this opportunity to become the world headquarters for nuclear physics.

III. STATE-SPECIFIC CHALLENGES

Independent Families

Among the things we can be proud of over the past decade: Thousands of families have moved from dependence to independence.

Consider this -- during the last recession a decade ago, Michigan's welfare caseload surged to more than 233,000 families. Adding General Assistance recipients to the count meant there were more than 300,000 cash assistance cases.

By contrast, as we cope with the current national recession, fewer than 74,000 families are receiving cash assistance.

In the area of children's services, 24,850 children who were state wards achieved a permanent adoptive home from 1990 through 2001.

During this time, we better than doubled the number of annual adoptions.

In the area of child support, we have seen collections increase from \$645 million in 1990 to \$1.38 billion in 2001.

Last year marked the completion of a single, statewide computer system.

The leadership of Chief Justice Maura Corrigan was invaluable in making the new system a reality and in averting expensive federal penalties.

For the future, our goal is this: All parents accepting responsibility for their children.

Reforms that help us achieve that goal continue to be a high priority.

The bottom line: Our welfare reforms have worked.

The result -- in less than a decade -- has been a stunning transformation:

- Adoptions are up.
- Teen pregnancy is down.
- Child support is up.
- Families needing cash assistance are down.

You really see the benefits of reform when you look at individual families.

Every month we honor a family -- the "Achiever" of the month.

Each Achiever has a success story to tell; each has beaten the odds; and each is on the road to independence.

As different as each of these Achievers is, one common thread connects them: their passionate wish that their children have a better life.

Health Care and Health Benefits

In Michigan, we are pushing the frontiers of science to fight disease and improve our quality of life.

One way we've improved the quality of life in Michigan has been by providing children and families access to medical care.

The numbers tell a great success story: 800,000 more Michigan citizens have health insurance today compared to a decade ago.

That's very good news.

Even better news: more than half of them are children.

Unfortunately, escalating health care costs are not such good news.

For the longest time, state efforts to increase access and restrain costs have been thwarted by federal regulations of bewildering complexity and excessive cost.

Governors George Bush and Tommy Thompson went to Washington fully aware of the challenges presented by these regulations.

Already, after one year, their productive partnership has provided long overdue flexibility to states.

Because of the changes made in Washington, now we are free to do even more to improve health care in Michigan.

Tonight I am pleased to announce that we will submit a fast-track waiver to Health and Human Services Secretary Thompson.

Our plan is called the MI-Family health plan.

The goal: coverage for an additional 200,000 Michigan citizens.

Given the recession, given our budget, you may be wondering, "How can this be?"

"How can we expand benefits to thousands of our people?"

The answer is simple – I've said it many times: When Washington gives states the flexibility to design programs that meet our needs, we stretch the dollars and help more people.

Approval of the MI-Family health plan will further several goals, including one that I've long sought: greater protection to people with disabilities.

These citizens will be able to take a job without fearing that success in the workplace will mean loss of their health insurance.

The Department of Community Health has done yeoman's work in developing our proposal.

Soon the Department will hold a public hearing on the plan, as well as begin taking necessary steps to reach agreements with our local partners.

My hope is that we wrap up our work quickly so we can submit our plan to Washington.

If all goes well, we hope to receive approval by May 1.

If our plan is on the fast track in Washington, and if it is approved in a timely manner, the benefits of the MI-Family plan could be available as early as October 1, 2002.

The bottom line: 200,000 more people will have help with health care.

III. STATE CHALLENGES

The Power of Blue

When most Michigan citizens need health care, they reach for their Blue Cross card.

In 1939, the Legislature passed the Blue Cross Act, which created Blue Cross Blue Shield of Michigan as a “charitable and benevolent institution.”

They even made Blue Cross tax-free.

The Act did not make the company supervision-free.

The Legislature’s intent was clear: the commissioner of insurance was “to provide for the regulation and supervision” of Blue Cross.

Another intent was also clear.

In creating the company, the Legislature sought “to secure for all of the people ... access to health care services at a fair and reasonable price.”

On September 14th, Commissioner Frank Fitzgerald made public the results of the 2001 financial examination of Blue Cross.

The examination revealed that the Blues have serious problems.

Among them: \$400 million in losses in the small group market, archaic technology, and a cumbersome board and management structure.

It won’t be easy for Blue Cross to fix their problems.

However, since over half of Michigan citizens depend on Blue Cross for health care coverage and services, the problems of the Blues cannot be ignored.

When I looked at this issue, I was surprised to learn that the insurance commissioner actually has less authority to fix financial problems at Blue Cross than at any other insurance company licensed to do business in Michigan.

At a time when so many people feel that the cost of health care is neither fair nor reasonable, we cannot have the commissioner on the sidelines.

I propose the following:

- amend the Blue Cross Act to strengthen the insurance commissioner’s financial oversight of the company;
- amend the Act to grant the Commissioner the authority to restructure the board of directors; and

- a new act to create a Community Health Trust Fund to protect our citizens and capture the public benefit should Blue Cross ever follow the path of more than 20 other state plans by becoming a private company.

It is of paramount importance that the Blues be strong, well run, and focused on providing access to health care at a fair and reasonable price.

When the health security of so many citizens is dependent on the financial security of a single company, the warning signs must be heeded.

With a company like Blue Cross, the Legislature has a special responsibility.

The Legislature created the company and designed their board.

Unfortunately, that design has resulted in a board dominated and driven by special interests, not the public interest.

A smaller, reconstituted board could assure that the “power of blue” is refocused on its historic mission.

It is not yet too late, but the warning lights are flashing. The time to act is now.

FY 2003 Budget

Soon it will be time to act on something else as well.

In February, you will receive my budget for fiscal year 2003.

From health care to education, the coming budget will present some challenging choices.

One choice we do not have is to abrogate our constitutional duty to pass a balanced budget.

Actually we are making good progress on the budget, and I am grateful to many of you for the input you’ve given.

One thing about the budget is already clear: The decisions you must make won’t get any easier if you wait!

500,000 Job Plan

Long term, state budget needs are dramatically lessened when we improve the family budget by raising incomes and cutting taxes.

Tonight, I have spoken about some opportunities that will transform Michigan.

Another opportunity was analyzed in a study by the respected technology experts at Gartner Consulting.

The study documents Michigan’s need for a high speed infrastructure.

The ability to move data, voice, and video at high speed along the information highway is not only essential to business and education today; it will lead to growth and investment tomorrow.

Gartner estimates that a significantly greater deployment of broadband could mean a half million new jobs over baseline projections in the next decade, and an increase in state economic output by half a trillion dollars.

Do we seriously want to turn our back on 500,000 new jobs? Or 250,000? Or even 100,000? I want those jobs, and I want those jobs in Michigan.

More jobs and higher incomes aren't the only benefits.
For many families, there just isn't enough time in the day.
For some, high speed connections may be an answer.
Moms or dads able to work at home would have more time with their children.

People with illnesses could get a second opinion, a third opinion.
Students could access the libraries of the world without ever leaving home.

Citizens could access improved government services.
Grandparents could stay in touch with their grandkids.

So with all the benefits, what's the problem?
Some say, "Do nothing – there's no need; we've already solved the problem."

Others say, "Wait – eventually the market will handle it."
And a few say, "It's not my problem – if you don't like it, move."

Well, in the 1970s and '80s, we tried those approaches on other issues.
Sometimes we put off reform and did nothing.
Sometimes we refused to change and simply waited.
It turned out the problems were our problems.
They didn't go away – but the jobs went away, and right behind them, our sons and daughters.

In the '90s, Michigan chose to lead; Michigan moved to the fore, where we have been most of our history.

Once again, we have a choice to make.
If our state lags behind on broadband, we will be like the towns that were bypassed by the Interstate.

Most continued to exist, but the growth went elsewhere, and their future was imperiled.

Michigan has a choice: to lead or to lag.
Let's choose to lead.
I urge you to pass MI HiSpeed Internet plan.

Education & Accountability

While leading the way with expanded health care coverage and high-speed Internet connections are important for Michigan, improving education remains my top priority.

From day one, educating children has been my passion.

Education, more than any other single factor, will assure Michigan's quality of life and economic future.

In 1991 I began my first year. That same year, this year's graduating seniors were first graders. I'm sure we're all curious: How have they done? But the more important question to ask is: How have we done by them?

That's a question we can answer.

We have made Michigan a model for the nation.

We passed Proposal A – our greatest achievement.

We greatly increased funding.

Total state and local funding for schools has gone up almost 70 percent – more than double the inflation rate – much more than funding for state government.

We made school funding fair.

We virtually eliminated millage elections.

Prior to 1994 there were a few rich school districts, and everybody else was trying to pass their millage.

We gave massive property tax relief valued at almost \$3 billion per year to farmers, seniors and homeowners.

What has that meant to a typical family?

In Ann Arbor last year, it meant an average annual savings of \$2,500.

In Livonia last year, it meant an average annual savings of \$2,300.

When it comes to kids, I have always believed the answer to the question -- “How have we done by them?” -- is about a lot more than money. It's about reform. And it's about results.

We made reform a priority by:

- providing educational choices for families.
- bringing charter schools into existence.
- ending illegal strikes;
- rewarding high performing schools and students;
- enhancing technology for teachers and students;
- restructuring the Detroit Public Schools; and,
- reporting to the public and to parents critical information about our schools.
- creating competition among schools for students.

Today, across Michigan, school districts are actively recruiting children.

You can hear it in radio ads.

You can see it on the billboards.

You can see in TV commercials.

School districts are marketing their strengths and selling their improvements.

In reaching out to families, they seek to capture the imagination of families that are searching for the best value in education. The fact that public schools are promoting quality faculties, higher test scores, and expanded curricula all proves the gains Michigan is making.

These reforms, and many more, are leading to impressive results.

A significant and convincing measure of those results are higher test scores.

By many measures, our students are performing better than they were 12 years ago:

- Last spring, we greeted the news that Michigan students placed first in the nation in math and science achievement. This from the respected and internationally benchmarked study of the Third International Math and Science Study [TIMSS].
- In August, we noted with pride that Michigan fourth and eighth graders who took the math portion of the NAEP [National Assessment for Education Progress] test scored above the national average. In fact, only five states outscored our fourth graders, and only four states scored significantly higher than our eighth graders.
- Michigan high schoolers, on average, do better than kids from other states on the ACT and SAT. What is even better news is that, on average, more students are taking the tests than in years past.
- Finally, we are getting better results across the board on our state MEAP tests – from elementary and middle to high school students. In fact, last year almost 48,000 high school graduates earned Merit Awards for proficiency in math, science, reading, and writing.

With all of the work done over the last decade, with all the good news, is there still room for improvement? Unfortunately, the answer is yes.

Almost 40 percent of our 4th graders are still not reading at a satisfactory level. No excuse can justify that. Children simply cannot succeed in life if they cannot read in the classroom. All children have to learn to read.

Our strategy – keep the focus on each child. No child should be left behind.

For schools that leave children behind, our State Board of Education may some day hold those schools accountable and give them a grade. Believe it or not, the board's new target for final grades is sometime in 2006.

I don't have to wait until 2006 to give this State Board their final grade on accountability. They deserve an F.

The legislature should not wait for leadership from the State Board of Education. I urge you to pass promptly a package of bills that will bring Michigan into full compliance with the No Child Left Behind Act signed this month by President Bush.

I am proud that Michigan has been a hotbed of education innovation. We have done much. Time after time, we have risen to the challenge.

Michigan's Constitution talks of knowledge being necessary to the "happiness of mankind." Tonight, looking at Michigan's future and the importance of understanding science and technology, the challenges ahead for our schools are clear.

We have work to do, and we cannot afford to leave any child behind.

My fellow citizens: You have given me one of the greatest privileges a citizen can ever hope for: to serve you and our state. Over the last three decades, it has been my honor to serve as a member of the House, a member of the Senate and Senate Majority Leader, and, since 1991, as your governor.

Each of us who serves here is greatly changed by the experience. My appreciation for public service has grown with each office I have held.

I believe with all my heart that public service remains an important and noble calling.

I love this beautifully restored state Capitol. This Capitol is our seat of government ... and the symbol of a great ideal, the ideal that we are capable of self-government under the rule of law.

Look at this fabulous ceiling. At the seals of 50 sovereign states--they remind us that we are, first and foremost, a nation of states, strong, vigorous, independent states. That's what makes America great.

Tonight, as I complete my final State of the State message, I have many, many memories. My career began 31 years ago this month when I took the oath of office in this chamber.

I see Chief Justice Tom Brennan, who administered that oath and went on to found the Thomas Cooley Law School, which also became an important part of my life. Judge Brennan recently announced his retirement after a marvelous and distinguished career in public service. Tom, we wish you godspeed and congratulations!

I see Carol Viventi, who is now the Secretary of the Senate. Thirty-one years ago, she was my first and only legislative employee. A little later on, Carol actually became my classmate and my savior in getting through law school. Carol, thanks for sharing all the notes!

Dick Posthumus is here, my first campaign manager and my successor . . . as Senate Majority Leader. Dick, thank you for your friendship! Sometimes I think, if only everybody in East Shaw Hall could see us now.

I see Senator Harry Gast, my freshman classmate, and the last member serving from the class of '71. Harry's 19-year chairmanship of the Senate Appropriations Committee is a record that will never, never be matched. I am fond of telling folks that Harry and I have gone to work together every day for 31 years. Harry, of course, is fond of saying: 'John, I'll never let you forget where you came from.' Harry thanks!

I see my mother, my family, nieces and nephews. This family has been through a lot--campaigns, the ups and downs and the loss of their privacy. Their support has never wavered. I love them and I am very proud of them.

So many colleagues, so many friends, so many, many memories. We all came to this Capitol because we shared a goal--we wanted a better Michigan.

We came from across our state, from all walks of life converging under this dome to stand up for what we believe in. Over the years, we waged many a lively battle, the rough and tumble of democracy. No matter what the outcome, we were always fighting for a better Michigan.

I will always, always treasure my memories and cherish my friends. I thank you all. God bless you and God bless the great state of Michigan!